

APPLRG / pteg: Light Rail and the City Regions

Transcript

Day 2 - 3 November 2009

Session 1 – Metro (West Yorkshire PTE), Nottingham City Council, *pteg*

Questions 68 – 101

Q68 Paul Rowen: Welcome to the second day of our light rail inquiry. We're joined today by Graham Stringer who's a member of the Transport Select Committee and MP for Manchester Blackley. Our first session today is going to be looking at promoters' views on scheme development and we've got three people with us – Dave Haskins from Metro, Luke Albanese from Mott Macdonald, Chris Deas from Nottingham City Council. And we've had apologies from Phil Purdy from Metrolink, but he has put a written submission in. What we'll do is, if I ask each of you in turn if you want to make an opening statement. And then Graham and I will ask you some questions. So, would you like to start please?

Dave Haskins: Dave Haskins, I'm Assistant Director of Rapid Transit at Metro. To commence this session on promoters' views on scheme development I'll make a short statement which summarises the key points made in the pteg and the Metro evidence. This will be followed by a statement from Nottingham City Council in relation to the delivery of phase one of the next project and subsequent development of phase two. The pteg evidence provides a brief overview of the experience in the UK of delivering LRT projects in recent years. On the face of it there are a number of major success stories relating to the implementation and expansion of key projects in Manchester, Nottingham, Birmingham, Croydon, Sheffield and Edinburgh. But there have also been notable failures in project approvals, in places such as Leeds, Liverpool and South Hampshire. It's fair to say also that slower rate of expansion than many of us would wish for in a number of projects mentioned there. However, the successes as mentioned when compared with LRT development on the continent provides a somewhat less rosy picture of progress. The significant slower rate of LRT implementation in the UK when compared to places such as France or Spain can be attributed to a number of factors, including the lack of coherent policies and consistent direction from central government, onerous and lengthy appraisal and approvals process, weaker local governance, centralisation of funding and inconsistent work flow. The latter of these resulting in higher project risks and costs and an ongoing sub-mature LRT industry. In terms of government policy bus deregulation has compounded the failure to implement policies to meet the goals and aspirations of the 1998 Integrated Transport White Paper. Despite this, LRT schemes have resulted in overall patronage increases in cities. The Local Transport Act 2008 offers opportunities for a more fully integrated public transport system, through quality partnerships or contracts. The policy over differential local contributions to LRT schemes against all other types of projects, that is a twenty-five per cent contribution, against ten per cent, is anomalous. Despite statements from central government, that this has not proved to be an obstacle to LRT development, the promoter view is somewhat different. In light of an impending public expenditure crisis, this is a key concern. Moving on to the opportunities and risks of LRT development in the UK, there are significant issues around the risks that a promoter needs to bear in developing projects, be they extensions to existing networks or new starts. The lack of availability of adequate funding can be clearly demonstrated through the fact that all regional funding has now been allocated for the next ten years. This leaves no scope for any project that do not already have some form of approval. Ambiguity around the balance sheet treatment for LRT projects and forecast declining Local Transport Plan allocation exacerbate promoter risk issues. Also in terms of risk, one of the major factors leading to higher and escalating project

costs, relates to multiple and cross risk pricing. This is partly a function of work pipeline issues, leading to pessimistic views on risk and therefore excessive risk allowances. A number of areas where we see significant opportunities for reducing the price of risk are highlighted in the submitted pteg evidence. An area where we feel that UK government have consistently overlooked is the opportunity that LRT offers in our towns and cities. As is recognised elsewhere, the real prize of LRT is not in terms of just passenger numbers or mode switch, but as a wholesale transformation of the fabric of the urban environment, and the urban quality of life. This is slowly starting to be recognised, for example through today's process. However, it is generally not captured nor recognised through the current appraisal system. Finally, the role and potential for tram train should not be ignored. Tram train offers the opportunity for wider rail industry savings, and significant transport benefits. Encouragement is urgently required for promoters to be able to justify investing a significant development cost for tram train in the face of a general lack of direction from central government. I now pass on to Chris to make a statement.

Chris Deas: I'd like to make just a short statement about the light rail experience in Nottingham. Nottingham was inspired by its twin city, Karlsruhe, in Germany, which is of a similar size and population. As a result it actively promoted tram network combination in the late 1980s. Subsequently powers were sought for a first line and following the lengthy approval and procurement process, NET Line One was eventually opened in March 2004 under a PFI concession contract awarded by the then joint promoters, Nottingham City Council and Nottinghamshire County Council, to Arrow Light Rail Limited. NET Line One serves Nottingham city centre and broadly the north west part of the conurbation. Some headline results of what has been universally considered a success and that it has attracted approximately ten million users a year, which broadly is in line with projections. Although in the last period there has been a noticeable impact of the recession. And to some extent overcrowding has also led to a shift of latent demand. Park and ride is very significant; there are almost three thousand available car parking spaces, and they account for around twenty per cent of all trips. It has therefore had a significant impact on modal shift, by removing car journeys from the local highway network. System reliability is very high – ninety-nine per cent against some of the performance measures. Multi-modal interchange is available through the park and ride sites which I've just mentioned, with three heavy rail stations, and through a multitude of multi-modal ticketing and promotion. And although quite difficult to measure and prove empirically, NET Line One has been identified as a key catalyst for regeneration and economic development. As a result of the success of NET Line One, NET Phase Two, which comprises two further extensions to the south and south west of the city, and doubles the size of the existing network, is being pursued. The project is currently out to tender, again under a PFI deal and it is hoped that the contract will be awarded in 2011 with passenger services across an expanding network operating in 2014. Twenty-five per cent of the local funding requirement required as a condition of government funding support will be substantially through a work place parking levy, which is the first of its kind in the UK. NET Phase Two seeks to replicate the success of NET Line One, particularly in certain key areas of population and significant destinations, such as the regionally important Queen's Medical Centre and Nottingham University. By improving heavy rail interchange at Nottingham station, and by expanding linkage with the highway network, typically through two park and ride sites connected to the strategic road network on the A453 and the A54, which connect Nottingham to the west and the M1. It is confidently projected that NET Phase Two will bring a further step change in transport provision to the city and bring widespread transport social and economic benefits. Although Nottingham experience of light rail is overall positive, there are significant challenges. In particular, development of light rail projects in the UK is lengthy, costly and high risk. There has been a lack of a clear and consistent national consensus on the value of light rail. The Transport Works Order procedure is incredibly complex. Government approval can be protracted and there's little recognition of the wider regeneration and economic development benefits light rail can bring. And procurement approaches vary. This together with the uneven flow of light rail projects reaching procurement, and a lack of technical standardisation, has meant that a mature

and confident light rail market has not been realised. This is reflected in high risk prices by contractors. The twenty-five per cent requirement for local funding is also a particular challenge to deliver. Just a final, somewhat sobering thought – during the period taken to introduce NET Line One and the ongoing development of NET Phase Two, Nottingham's twin city Karlsruhe has introduced fourteen further extensions of its tram system, as well as being at the forefront of tram train development. It's now got 400 kilometres of light rail. People in Nottingham look enviously at this achievement.

Paul Rowen: Thanks very much Chris. Luke?

Luke Albanese: No, I won't make an opening statement.

Q69 Paul Rowen: Thanks very much for that, and thanks very much for the submissions that you've given us, which have quite a lot of useful information. I'll start off and then Graham if you want to just join in. If you were actually going to bring about a step change in the way we deal with light rail schemes, what sort of changes, what reforms would you want to see happen?

Dave Haskins: I'd like government to recognise the value of light rail and rather than quibble for a very, very long time about whether it's the right mode for your particular environment, there are clearly a number of cities of a number of sizes, and sometimes even densities as well, that actually clearly qualify as light rail schemes. You look at experience in France or Germany or elsewhere on the continent, there are cities that are the size of places like Huddersfield or smaller, 250,000 people, which have sustainable light rail systems in place and the urban environment benefits as a result. I think that change in mindset from central government would be a very good starting point.

Chris Deas: I think on the headline point, I'm totally with Dave, but the question that is often, often asked in Nottingham is why does it take so long? NET Line One has been such a good success, it's had such an impact on transport, it's had such an impact on changing the nature of the place of Nottingham, that many people, businesses, public, just don't understand why the principle isn't already there that light rail offers significant benefit. So it is that strength of policy that would significantly help in delivering light rail. It's recognised that you have to go through some form of public inquiry, that's what democracy requires. But spending your time forever arguing the strategic point, spending a lot of time and energy on it both objectors and promoters, is a significant weakness. We certainly perceive the need for this in this country, you don't see this as much in Europe. I think that this is the significant issue. There are clearly issues of funding, but the strategic value of light rail I think is the most important thing if it was recognised.

Q70 Paul Rowen: Don't DfT argue that light rail schemes are fine for certain areas, they're just not the right thing for everyone?

Chris Deas: DfT will speak for themselves, but that is clearly the position. But I think when you get into the process, that view loses itself somewhere. You know it's an incredibly rigorous process to justify a tram scheme. Transport Works and Order process is rigorous. But if there was a real strong push from the top, as a national and regional policy, that light rail schemes will help our major cities.

Q71 Paul Rowen: But if you're going to spend four, five hundred million pounds, haven't they got a responsibility to be tight and make sure that taxpayers' money is not being wasted? You're not giving me anything that says why, with respect, why I should accept light rail's a better solution than buses or whatever.

Chris Deas: I think the evidence is there to suggest that. So forever having to justify it for each

scheme is a time consuming process. When many others recognise that the reality is that light rail does bring more value than any other form of transport within the right context.

Q72 Paul Rowen: Isn't the difference really that in France and Germany they operate a very decentralised local decision making process, whereas here it's highly centralised?

Luke Albanese: That is true. It is perhaps just worth looking at what's happening in France, because in recent decades France has moved from a position of having very poor level of public transport, and that's something that is not generally realised now. In the early seventies, French local public transport was nothing like as good as public transport in Britain. And starting from very low base and building progressively, putting the tools in place to make it possible to build these very sustainable new urban forms if you like. And French cities do have powers that our cities don't have; they have powers to raise specific taxes to fund transportation and infrastructure and operations. That is the central reason why they can build light rail. There is appraisal in France. There are national standards set down for appraisal, the French Ministry of Transport sets those, and they have to be met. But the emphasis is very much on transformation of cities, not just as transport projects, but as whole urban corridor, urban renewal projects. They don't even use the word "regeneration", that suggests something too narrow – they think of it as a complete package for transforming cities. So where our appraisal process would concentrate really only on transport benefits, they think of the much wider benefits that their cities will have. And they are able to fund those schemes. When the French state withdrew from central funding of light rail about six or seven years ago, there was a twenty-five per cent contribution from the French state to light rail schemes. Everyone said "Oh that's the end of French light rail boom. It's all over. Nothing will ever happen." In fact what happened was quite the opposite. It accelerated light rail development. People much more frequently came forward and said "We want to build a light rail scheme to transform our city too." And the French Ministry of Transport said "Well that's fine. As long as you do the basic appraisal work. It's your money, it's your electors. If you make a mess of the whole thing, you have to, at a local level, account to your own voters. It's nothing to do with us any more." And that's what's caused this huge boost in their development. And of course the industry that supports that, in terms of operations and construction, is very competent now, because they're constantly building and developing, and they use a very standardised approach. And so they have these high levels of competence. I mean France is a different country to Britain, so in some ways the French mindset is a very infrastructure oriented mindset, and we don't have that in Britain – we have a very sort of economics and accountancy mindset, and that's just different, that's just a different political way of the world. And some of those things you can't change, you know, we are Britain and not France.

Q73 Paul Rowen: I struggle to understand why the Metrolink in Manchester is such a success, you in Nottingham have to just do everything again – why can't you learn the lessons from Manchester and do things in a way that isn't reinventing the wheel all the time?

Chris Deas: I don't think Nottingham and Manchester are that different. They procured in slightly different ways, but to some extent that's taking an opportunity, rather than a different course. But generally, many of the scheme characteristics of Manchester and Nottingham are similar. They serve areas of population and they try to interchange with the existing transport network. I think the procurement approach is different, but the procurement approach can be, as long as you have a mature marketplace that can assess the risk and has the experience of delivering light rail. The problem in the UK is we have an industry, particularly on the civil engineering side, where very few people have got experience of delivering light rail in brownfield areas. So the risk may be seen as very high.

Q74 Graham Stringer: What would the most efficient, effective, economic procurement system look like in this country? When our costs are approximately double what they are in other

countries. How would you develop a system that was getting us value for money in the same way that Karlsruhe in Germany or small towns in the south of France are getting tram systems?

Chris Deas: Certainly from my point of view I think the clarity in the scope of project. In France many of the elements in one city are the same as they are in another city. You know track forms tend to be broadly similar. Where the French change is in the appearance of trams or the different tram stops.

Q75 Paul Rowen: Isn't that what we're doing now anyway?

Chris Deas: I think technical requirements are different on various projects through the very nature of the procurement processes. So more standardisation which I think only comes from delivering more projects will help. We have such a process of switching the tap off on light rail funding, and then there's a period of schemes not being funded, and then there's a sort of glut and then... well it's a small glut normally. But then it goes off again. So we don't have a maturity throughout the industry. So I think standardisation would be a clearer route. I think we've got to reflect that money can come from different sources, so if we have in the UK, and Europe is catching up on this, if we use private finance we have to find the mechanisms to make private finance work. So I think we've got to recognise that, but you can still have a standard and much more standard building blocks would be helpful I think.

Q76 Graham Stringer: I can see standardisation would help certainly in producing tram services. But there are, you've already pointed out that there are different ways of procuring tram systems, light rail systems. What do you think would be the most cost effective of those systems? I think one of the real added costs in this country is central government's interference telling you which way to procure systems. I'm interested in your view on that.

Dave Haskins: Certainly I would wholly support the view that schemes should look at the issues it's got itself and then come up with a procurement approach, rather than it being imposed from above. Because in some areas I think patronage risk issue which you tend to attach to a PFI DBFO scheme, could be a very good way of passing risk to the private sector by public sector in a certain environment, but actually be a very poor risk in another environment, because the nature of public transport provision in all our cities is different. London it's effectively set down, there's intervention. In the provinces we have open competition, so it does depend. I don't think there is necessarily a procurement route that gives best value for money. But I do think you should look at it from the location that it is delivered in, rather than having it imposed at the top.

Luke Albanese: I think I'd add to that. I've got the funny position of joining this meeting having spent the day with some French bankers yesterday, who are actually advising on a French light rail PPP scheme, which is second light rail PPP in France. Most of the light rail in France has been procured in a method we don't have in Britain. There's no equivalent method, which is the use of what's called the maitre d'oeuvre, which could broadly be described as an engineering project manager and designer taking the client role on the client's behalf. And a kind of compagnie mixte which again we don't really have that in Britain, where a private operational company will form a joint company with the city council to run its public transport under an all embracing contract for a period of ten years or five years. It has to be said that there's no doubt that the extra complexity introduced by putting in a lot of private finance, we were talking to seven members yesterday, on a very large scheme, 1.4 billion Euro scheme, and that does infuse an enormous amount of contractual complexity. And everybody has to cover their backs and make sure they're going to get paid. And you know, they will have their own advisers and then they price their own risks and they worry about the default by other people. So they have to price that risk as well. There is no doubt that that is the more complex, expensive way of going about it than a fairly straightforward streamed cash coming out of the public sector, as long as it's handled

in a competent way. Now interestingly enough, in these French PPP arrangements, the construction contractor who is going to do the work, is employing one of these project management companies himself. So he's actually going to do the job the same way, he's going to act as the client if you like, so that's quite an interesting model. But a lot of it just comes back down in the end to the very high level of competence of the people in their industries pricing risks correctly. They know what they're doing, they do it all the time. There are slight variations in the schemes here and there, that and this. They don't attempt to pass revenue risk off into the private sector, and the reason they don't do that is because it seems a public sector duty to handle that. There's a policy issue there. And they manage to hit the numbers that they hit. But equally, some tram schemes in France are very expensive – there's no doubt that the building of the tramways in Paris is a hell of a lot more expensive than it is in Montpellier or Grenoble. It's much more expensive to build things in the capital city than it is in the regional city. So we shouldn't delude ourselves that it's all incredibly cheap in France and very expensive here, it just is not quite as simple as that.

Q77 Graham Stringer: One of the points that's been made is Department of Transport, Treasury don't like these schemes because of the way they appraise them, they're very expensive. Do you know of any work that compares the costs of tram systems over a twenty, twenty-five year period, which might be a reasonable estimate of a lifetime of a light rail scheme, with the amount of money that goes into buses? Because I think we're always comparing apples and oranges in these things. But if you look at the schemes over twenty, twenty-five years, you get a much more balanced assessment between trams and buses. Do you know of any work that does that?

Luke Albanese: Not, not first hand work. It's very difficult in the UK to find because it's obviously that the bus operators are commercial organisations, it's extremely difficult to get a transparent picture of their costs and revenues because they don't hand that information out.

Q78 Graham Stringer: No, but we know what we're putting in in the service operator grants in terms of concessionary fares...

Luke Albanese: We do, yes.

Graham Stringer: ... in terms of subsidised routes over twenty years, which is a considerable amount of money.

Luke Albanese: Yes, it is. No, there's no piece of work that I'm aware of in this country.

Graham Stringer: It would be a good idea.

Luke Albanese: Yes.

Q79 Graham Stringer: Because it strikes me sort of by having a debate with the Treasury or the Department of Transport on hard numbers on a different discount period is an easier argument than saying “Well this will help economic development.” Much as I agree with that last point, it's sort of more grounded in hard numbers.

Dave Haskins: I think that's a good idea. I think you want to add to that piece of work by comparing some of the issues around mode switch and increases or declines in the market over time. Because investment, I think possibly we could accept that there are some examples, but London's a good example where there's an increase in bus money going in, there's an increase. But elsewhere, you know, some of our heavy rail routes, for instance, where there's been a seventy per cent increase in the last seven years of patronage. But bus market is declining. Some of that's down to demographics, people who are getting older and they become seniors and they're

not paying any more. But some of this is down to just not capturing, not being attractive enough to the car users. It's as simple as that. Whereas the evidence from the light rail schemes has shown that investment is paying off in terms of getting people to switch permanently.

Luke Albanese: Well we actually, the All Party Parliamentary Light Rail Group invited Brian Souter, who's the chief executive of Stagecoach buses, to talk to a meeting in this very house. And he actually held up two graphs which was an amazing experience, never seen anyone do this before. He said "That's light rail catchment in Britain over the last ten years, growing like this. And here's the equivalent for urban bus." He said "I just want you to have a look at those two graphs." And that's the leader of the leading bus company in Britain, make of that what you will.. Light rail is attractive to people and basically urban buses don't have that same attraction, for whatever reason that is. And there's a lot of discussion about why that is. But, and I think that speaks for itself for me.

Q80 Graham Stringer: I wasn't going to ask this but it's something that concerns me. I'd be interested in your view, first Stagecoach are involved in running trams. Do you think, particularly in deregulated bus industry, there's a conflict of interest? Do you think there should be a prohibition or an inhibition on major sort of semi-monopolies bus operators running trams?

Luke Albanese: No, I certainly don't think that. And I think that my personal view, it's not shared by many people, is that bus industry has settled into what it was always expected to, which is essentially a series of regional sort of sub-monopolies, a totally natural state for it to be in. It always used to be like that in the twenties before the bus industry was regulated. The primary competition for all public transport is essentially private transport. It's perfectly rational for a bus company to operate buses and light rail in the same city. I not only think that, I think it's actually a desirable state of affairs. And France has a formalised system tendering out all operations of public transport in the city to private operators, and I think that's something we should seriously consider in the long run.

Dave Haskins: I would add to that. I don't think it would be, there could be a circumstance where you could argue that a big bus operator, if they operate the light rail and they operate the bus services, may look at the picture as a whole and maybe you could see a scenario where light rail isn't pushed as strongly as may well be. But the flip side of the coin is that some level of integration of bus services and Light Rail, offers far more positives than that occasional negative that you, that you might accrue. So I think it's better that they are integrated.

Q81 Graham Stringer: Can I just ask a couple of specific questions about Nottingham and Leeds? In Nottingham, what is the relationship between the workplace parking scheme and the funding of the tram system, if any?

Chris Deas: As I mentioned in my opening statement, the workplace parking levy provides the majority of the local funding contribution to NET Phase Two. So there's a significant link between the two.

Q82 Graham Stringer: And in terms of the relationship with the private sector and the public perception, because I know, from transport select committee, there's been a big row about it, has that reduced the support for the tram system?

Chris Deas: I think difficult to judge that, but there is certainly, as you say, controversy around the workplace parking levy. There has been a significant argument that the workplace parking levy isn't the right tool to fund a significant transport investment, that doesn't always go to the place where some people who might pay the parking levy go. But overall the support for NET has remained. The argument is that we should find a different way of funding it and that argument is

either the government provides more of the twenty-five per cent, or that you find a different way locally to fund it. To be fair, there have been very few local funding options that have come forward that have been credible.

Q83 Graham Stringer: Did you consider congestion charge?

Chris Deas: Congestion charging was considered; it was a significant part of the local decision making process. But for various reasons - and I can touch on them if you want me to - the decision was made that the workplace parking levy was a more pragmatic and appropriate approach than congestion charging. So I think in general, everybody's recognized that NET Line One has delivered what it was there to deliver, and therefore the logic of further lines has very few opponents. The only real opponents are as you'd typically expect on a Light Rail scheme, which goes through in a linear nature local environments, is to do with the immediate locality. The remainder of people think it's a success, but the WPL route has clearly not proven popular with everyone; there are many supporters, but clearly some high profile people are against it.

Q84 Paul Rowen: Aren't Boots threatening to pull out or move their operations so that they're not going to be subject to the workplace levy?

Chris Deas: I think it's difficult to work out whether these are official statements or just in the press, but because of the physical location of the main Boots site - which actually has the Nottingham and the County boundary passing through it - it's a scenario that may occur. Who knows?

Q85 Graham Stringer: Just to Leeds, and I apologize if I should know this, can you just tell me precisely where you are, what stage you're at with the, with the tram system?

Dave Haskins: In Leeds, where we're at: we, in November 2005 the DfT Secretary of State for Transport cancelled the tram system in Leeds. We spent significant time beyond that looking at whether we should resurrect the tram. We've got very, very clear statements from the DfT to not pursue the tram, but to come forward with a high quality, top of the range bus system. We currently, in fact two days ago we submitted an HD business case for a trolley bus network in Leeds. We still do have aspirations for a tram ultimately, but in the current environment that's incredibly difficult to do. A new start any tram system is I think virtually impossible for any city at the moment in the UK, in terms of the way funding has been allocated already from the regional funding and the costs involved. The costs actually of developing a trolley bus system are not that much different in terms of what promoters have to spend; it's a significant sum of money still because we still have to go through all the various same planning processes and appraisal processes as a tram has.

Q86 Graham Stringer: And are the indications that the department would smile more on a trolley bus scheme than a tram scheme still?

Dave Haskins: I would like to hope so, that that would be the case. A number of our local politicians and local businesses are still pushing us quite regularly for, to resurrect the trams still, even at this stage. Once they understand the complexity of what it would take to do so in light of where we're at, they recognize we're in a position where we are pursuing a trolley-bus option.

Q87 Paul Rowen: Right, thanks. Going on to the utilities cost and, and, and the factor in terms of utilities, you know, what would you want to see in terms of that, and how could you satisfy the utility company that their investment's going to be protected?

Luke Albanese: Well, there's a lot of discussion about utilities and, quite often, myth about the

way they're treated throughout Europe. I mean it's generally the case throughout Europe, that is including this country, that utilities are moved out of the way of tramway alignments - to a greater or lesser extent, but very often, pretty much in entirety, including Germany, the Netherlands, Belgium and France. The question is: who pays for that? In France the situation was very similar to Britain until a ruling in the mid 1990s by the main commercial courts. One of the promoters, as the highway authority, appealed against the utility company's enormous bills. And the argument went: with a highway authority, the utilities company has had free and beneficial use of our highway for the last hundred years, and we want to do something different with the highway, and that's really their problem. And the court agreed. The utility company has to, if it wants to have access to its utilities in the free alignment that it has, it has to really pay for that itself. So when, when people say the French don't pay for utility diversions, what they mean is that that cost is borne by the utilities companies. The big change here was the proportion of cost borne by promoters and the utilities companies; there was an eighteen percent betterment split. Unfortunately, for reasons I'm not particularly party to, that split was shifted very much in favour of the utilities companies, and against the promoters. So, I don't know, what's the present proportion Chris?

Chris Deas: I think it might be down to nine.

Luke Albanese: So obviously the first thing I think any promoter would like is to see the betterment proportion restored to its previous condition. You're a promoter.

Chris Deas: Certainly we were disappointed at the decision that was made.

Q88 Paul Rowen: Who made that decision?

Chris Deas: It was a government decision that Light Rail would be treated differently than any other public transport promoted scheme, highway scheme, which maintains the eighteen percent, and we felt that was an unreasonable position. You know we clearly believe that a mature-thinking utility company can recognize that there is no real reason why many utilities can't remain where they are with good risk management strategies in place. So there's no need to move all utilities for a tramway. And that where we do move them there's, in most cases, a significant betterment to the utility companies, both in terms of being able to access and also in terms of early renewal. So I think a, a practical approach - which to some extent utility companies, certainly in Nottingham, are following - is the best way forward, plus a fairer, to us, split.

Q89 Paul Rowen: So you think the utilities companies are being quite reasonable in the way it's operating?

Chris Deas: I think our experience is that utility companies are recognizing the long lead-in times, and therefore the need to do more advanced works for a Light Rail scheme. But the level of cooperation and emerging maturity is positive, and I wouldn't want to be over-critical. But there needs to be a recognition that power cables blowing up tramways is a very, very small risk.

Q90 Paul Rowen: And in terms of your costs what has that extra burden imposed in terms, as a percentage of the cost of developing your system? I don't know what total cost of NET Two is.

Chris Deas: Well, if, if you said in headline terms that a capital cost of NET Phase Two, is in the region of five hundred million; utility costs, are thirty forty million in that sort of area. Therefore probably five million pounds less an initial five million pounds cost to the project as a result of the current funding split than it would be if you had an alternative funding split.

Q91 Paul Rowen: Right. Can I ask you about the re-appraisal system? What is there that is

wrong at the moment with the appraisal system used by the DfT in terms of appraising schemes submitted by promoters?

Dave Haskins: One of the first issues is a very prolonged debate around the strategic case in the scheme. That is part of the appraisal process. That does take a long time. I do see benefits in the web tag, which is the guidance, which is prescriptive in what the requirements are, but, I think it's fair to say that DfT do take a pragmatic view on that at times. I'm not sure if any scheme ever has been fully web tag compliant; it'd cost an arm and a leg if it was I think. Beyond that, I think some of the issues we've covered here around the recognition of the wider benefits of transport, wider benefits to the fabric of society, I think that needs to come to the appraisal system. And I think inroads have been made in terms of the time scales for turnaround on key projects in DfT. They set themselves time scales, and as long as promoters are complying there does seem to be a quicker turnaround than there has been historically. And I think that's a good thing; that's to be welcomed.

Chris Deas: I think that's the issue really, capturing that wider benefit that certainly is perceived, but is really difficult to get the empirical numbers for, such as land value uplifts because there are other things happening in the area.

Q92 Paul Rowen: I was going to say, has anybody done any proper calculation - if you broaden the appraisal system to include land value uplift, carbon emissions, all the other sort of perceived advantages - what that would do to the appraisal?

Luke Albanese: There are streams of work internationally and in this country. There certainly are movers in that direction, and DfT economists and specialists spend a lot of time broadening the appraisal and trying to get carbon in and trying to look at regeneration and wider economic benefits. So that's very positive, and certainly a very different attitude than there was twenty-five years ago, there's no doubt about that, which was all roads, roads, roads, cost-benefit analysis and nothing else. So definitely the movement's in the right direction. I think from my perspective, and maybe I should - my, my bosses wouldn't welcome me saying this because I'm a consultant - but one thing that's very striking about Britain is the enormous amount of appraisal that has to be done. There seems to be quite often a constant cycle of going back and looking at more things in more detail, doing more modelling. And it's great for me - I earn fees doing that, so that's fantastic. But it costs the public sector an enormous amount of money. Whereas, I think the difference would be where you say 'okay, you've got your local transport policy, you've got your Local Transport Plan, that's been set out.' And that's derived from some appraisals, some policy work, some environmental considerations. In a way I think that should substitute for a lot of appraisal. I mean, for my mind, once you have a policy - and that rolls through into the TWO process as well - I don't think you should ever sit in a PTWO process and argue about whether this is a good idea or not. Once the policy's set there - and that's the local and democratically agreed process, it's been adopted as the local transport plan - to me there's no argument that you should just go on, do the scheme, and then you can argue about the details: should it be this road or that road? But to spend all that time and money arguing about the principle of things is crazy and a really British thing, you know.

Q93 Graham Stringer: I have a cynical view that the reason the department spend so much time on appraisal is it just puts funding back for three, four, five, six or - in Leeds, Liverpool, Southampton's case - forever. It's a way of, of stopping the project. I would be persuaded away from that view if the department, or you as an appraiser or as a consultant, could tell me that during these appraisals significant sums of money have been saved because of central government involvement. Can you give me any examples where the Department of Transport asking for yet another detailed appraisal on whatever, has saved tens or hundreds of millions of pounds?

Dave Haskins: I mean, well, I'll give one example, which is probably not the best example in the super-tram project, which I was involved in the very dying days. Some of the bids that came in from the consortia who were bidding for it had, Chris has quoted thirty million pound cost on utilities. We were getting excess of a hundred million pounds on a similar scale of project. DfT asked us to look at, you know, the cost savings that could be made. And we did, we came back with a significantly reduced sum of money by taking a different approach. We'd have done that anyway, I think it's fair to say...

Graham Stringer: That's the important thing isn't it?

Dave Haskins: We'd have had to do that anyway. It didn't matter at the end of the day in terms of where the project ended up, but I think other people have maybe followed the approach we took at the time.

Q94 Paul Rowen: I'm interested, Dave, in what you said about the trolley-bus scheme. Can you tell us what its costs are and how that compares with, compares with the super-tram?

Dave Haskins: I certainly can. When the tram was cancelled, we were kind of told to go away. And there'd been some evidential work done by consultants to suggest that schemes half the cost of the tram could deliver up to ninety percent of the benefits. And we took that as a challenge: can we, can we do that? And we've come up with a project which in, in comparable terms is broadly half the cost of a tram; it's just under three hundred million pounds. We were told the money would be available. The money still took twenty months of fighting with regional funding authorities to secure the two hundred and fifty million in two tranches, which didn't help in terms of taking the project forward. So we've got a project at half the cost of a tram. I don't think we're getting ninety percent of the benefit, but we've got a strong case for the project. So we're having to absorb some costs that are significant in protecting corridors for the future, because we don't want to lose the opportunity to operate a tram in the future. And that's a very, very clear steer from politicians - that has to be the case within the project. There are considerable savings through not having to put the fixed track in place obviously, and the vehicles are cheaper. It remains to be seen at what level of attractiveness that, that will be as compared to a tram, because then looks like we're getting high-capacity loadings, but they are lower capacity vehicles than trams overall, so you need more of them. So it presents a number of different challenges.

Q95 Paul Rowen: And when do you expect to see it operational?

Dave Haskins: We're looking operational by the end of 2015. So we still have to go through the same planning processes. We're working on Transport and Works Act Order at the moment; it'll still take almost a similar amount of time as it would for a tram to deliver.

Q96 Paul Rowen: And costs in terms of, you know, of your three hundred million, how much has that whole process cost?

Dave Haskins: How much has it cost as a promoter?

Paul Rowen: Yes.

Dave Haskins: A lot of money. I don't know if I can publicly quote a figure. Again, it's anomalous; we're doing something which is almost a similar type of system to a tram, but we have to find ten per cent of the contributions. It's not a tram, which is good news for us. Quite a bit of our local contribution is made up, if you do the sums, ten per cent local contribution is nearly thirty million pounds being provided. Some of that is through land we acquired as part of

the super-tram project; we can use that if needed for our project. We're having to pay a lot of development costs still again.

Q97 Graham Stinger: Do you mean by selling the land?

Dave Haskins: No we've land which was acquired as part of the, as part of the project, and we're putting that towards the cost of...

Graham Stringer: So that...

Dave Haskins: ... that goes into the cost of the project. But there's development costs also in local contribution, and there's costs beyond that, which are called ineligible costs, that do not count at particular points in the process. So we're having to, for instance, spend millions of pounds at the moment to get to this programme entry stage, theoretically those costs aren't recoverable; they don't count towards local contribution.

Chris Deas: Can I just add one point about the cost of development? It clearly depends on the nature of the scheme that you're proposing - say it's a trolley bus or a light rail scheme: the planning process and the appraisal process are very similar - but for a substantial light rail line, which would affect the city centre and a populated corridor, to go through a TWAO and a funding appraisal, the various funding appraisal steps, my view is that you wouldn't be able to do that for less than five million, and you're probably in the region of ten, ten plus to do it. So it is a significant cost.

Q98 Paul Rowen: But out of the five hundred million pound project that's not a huge cost, is it?

Chris Deas: It's not. In terms of what is effectively only an outline design it's a significant chunk, because you're still going to go through the design process. I suppose you could as a half a billion pound project, say ten million is money well spent as long as you were confident that you would get the scheme at the end of it.

Dave Haskins: That's the key question really: it's, it's all that risk, it's all risk as far as the promoters are concerned until you get the final go-ahead.

Q99 Paul Rowen: And finally, is there anything that you would want us to see fundamentally changed that you've not already mentioned?

Dave Haskins: I mentioned tram-train briefly in the statement, and I think a very clear direction on tram-train from central government would be of great benefit. But at the same time, even with a clear steer there has to be something to back that up. There's no wherewithal at the moment to take forward new tram-train projects, there's no outlet; you can deliver them to your heart's content but there's, there's no cash at the end of it at the moment, not for the next ten years as far as we can see. So that's, that's the key problem we have. I think it's about the long term planning for the economy of the UK, which is absolutely critical. And we're in danger at the moment of losing some of that long term planning through taking, quite rightly in some respects, a short-term view because we are where we are with money. But I'm really concerned about losing that long term picture at the moment.

Luke Albanese: And supporting Dave, I'd just say that in terms of tram-train, I think it would be very important to facilitate movement within the departments, local transport and rail divisions, to enable cash transfers to take place, one to the other. That seems to be a stumbling block from what I understand as well. The other thing I'd really like to see, as a positive thing for the future, is the UK signed up to an enormous carbon reduction programme - the biggest in the world by

2050. I mean Jim knows more, perhaps, than me, but I'd really like to see how we can link the development of Light Rail positively into that. And a good statement from the government on that would be very helpful I think.

Q100 Paul Rowen: Has Nottingham city done that for their tram system? Presumably with all your modal switch analysis you can produce very clear figures for the amount of carbon emissions you're going to reduce.

Chris Deas: Effectively, as part of the Transport and Works Order process as part of your own environmental appraisal, you would look at those modes, and for NET Phase Two, it demonstrates that there is a reduction in emissions.

Q101 Paul Rowen: What are they?

Chris Deas: I haven't got the figures.

Paul Rowen: And if one in five of your passengers are, have switched from cars, presumably that's, it's a significant...

Chris Deas: It's a decent figure.

ENDS.